

Message Text

LIMITED OFFICIAL USE

PAGE 01 KINGST 01569 01 OF 02 121423 Z

43

ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 EB-11

COME-00 TRSE-00 AGR-20 SIL-01 LAB-06 CU-04 RSR-01

AID-20 SPM-01 IO-12 /160 W
----- 046793

R 112230 Z MAY 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 1887

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

CINCLANT NORVA

LIMITED OFFICIAL USE SECTION 1 OF 2 KINGSTON 1569

CINCLANT FOR POLAD

E. O. 11652: N/A

TAGS: PINT, JM

SUBJ: THE BUDGET DEBATE - ITS AFTERMATH

REF: A. KINGSTON 1332; B. KINGSTON 1291

SUMMARY: PUBLIC REACTION TO THE BUDGET PROCESS HAS BEEN LOW-KEYED, WITH MAJOR COMPLAINING COMING FROM THE TAX- PAYING SECTOR, IN WHICH CONSIDERABLE UNCERTAINTY REMAINS. THE GENERAL PUBLIC SUPPORTS THE EDUCATION AND AGRICULTURAL PROGRAMS. JAMAICA MAY LACK THE HUMAN RESOURCES TO CARRY THROUGH.

1. A MAJOR PROCEDURAL CHANGE WAS INTRODUCED INTO THE 1973-74 ANNUAL BUDGET DEBATE. IN PAST YEARS, FOLLOWING THE PRESENTATION OF THE BUDGET BY THE MINISTER OF FINANCE AND REBUTTALS BY THE OPPOSITION, THE DEBATE HAS BEEN OPENED TO ALL. THIS YEAR, IT WAS DECIDED TO LIMIT THE SPEAKERS TO THREE FOR GOVERNMENT AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KINGST 01569 01 OF 02 121423 Z

TWO FOR THE OPPOSITION.

2. WHILE THE NEW FORMAT PROBABLY STREAMLINED PROCEDURES TO SOME EXTENT, IT DID NOT CHANGE THE TRADITIONAL AND ESSENTIAL QUALITY OF THE DEBATE, IN WHICH THE GOVERNMENT PRESENTS ITS POLICIES AND THE OPPOSITION TEARS THEM APART, FOLLOWED BY THE GOVERNMENT ANSWERING OPPOSITION' S CRITICISM, IN THE FORM OF RESTATING ITS CASE WITH THE ADDITION OF A FEW SWEETENERS. PUBLIC REACTION TO THE DEBATE HAS BORDERED ON BOREDOM-- THE DEBATES DON' T REALLY AFFECT THE IMPLEMENTATION OF GOVERNMENT POLICY, BECAUSE OF THE OVERWHELMING MAJORITY COMMANDED BY THE GOVERNMENT PARTY IN BOTH HOUSES OF PARLIAMENT. REACTION IS RATHER TO SPECIFIC POLICIES AND PRONOUNCEMENTS FROM BOTH SIDES OF THE AISLE AND TO THE NEW DIRECTIONS-- AND SUSPECTED DIRECTIONS-- OF NATIONAL POLICY. THERE FOLLOWS A DISCUSSION OF SOME OF THE " NEW DIRECTIONS" AND THE REACTION TO THEM.

NEW PROPERTY TAXES: PENDING THE REVALUATION OF ALL OF THE ISLAND ' S REAL PROPERTY, THE GOVERNMENT HAS DECIDED TO IMPOSE SHARPLY INCREASED TAX RATES EFFECTIVE APRIL 1. THE NEW TAXES HAVE SOARED AS MUCH AS THREE OR FOUR TIMES, AND WHILE MANY JAMAICANS ACKNOWLEDGE THAT PROPERTY HAS BEEN UNDER- VALUED FOR YEARS, THEY FEEL THAT THE MAGNITUDE OF THE RIS IS UNREASONABLE IN VIEW OF THE QUALITY OF PUBLIC SERVICES OFFERED. THE GOVERNMENT SUBSEQUENTLY INDICATED THAT THE TAX BIT WILL NOT BE SO BIG FOR DEVELOPED PROPERTIES AS FOR IDLE LAND, WITH THE CLEAR IMPLICATION THAT THE REVALUATION AND TAX ASSESS- MENT PROCESS WILL BE SUBJECT TO CONSIDERABLE NEGOTIATION WITH THE TAXPAYERS.

4. EXCISE LEVY: THE GOVERNMENT- ANNOUNCED LEVY ON REFRIGERA- TORS (IN EXCESS OF NINE CUBIC FEET), TV SETS, PHONOGRAPHS, AND AUTOMOBILES AND CONSUMPTION DUTIES ON CIGARETTES AND BEER HAS AROUSED LITTLE CRITICISM, EXCEPT FOR THE SELECTION OF THE ITMES TO BE TASED.

5. STAMP DUTY ON WORK PERMITS: THE ISSUE AND RENEWAL OF WORK PERMITS HAS BEEN TROUBLESOME TO FOREIGN BUSINESSMEN FOR THE PAST SEVEN OF EIGHT MONTHS. (WORK PERMITS FOR TEACHERS HAVE BEEN EXEMPTED FROM THE TAX.) THE MOVE IS CLEARLY DESIGNED TO ENCOURAGE THE " JAMAICANIZATION" OF POSITIONS IN BUSINESS -- A POLICY WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KINGST 01569 01 OF 02 121423 Z

WHICH MANY MANAGERS OF MAJOR ENTERPRISES WOULD AGREE, IF ONLY THERE WERE SUFFICIENT NUMBERS OF TALENTTED JAMAICANS TO FILL THE GAP. A FORMER ADVISOR TO THE PRIME MINISTER COMMENTED THAT HE THOUGHT THE LEVYING OF THE TAX WOULD HELP TO RELIEVE THE WORK PERMIT PROBLEM BY LIFTING THE NUMERICAL LIMITATION, FORCING ENTERPRISES TO CONSIDER WHETHER HIRING OF FOREIGNERS

WAS WORTH THE EXTRA \$600 PER YEAR. THE PROBLEM OF RECIPROCITY HAS BEEN RAISED WITH THE GOVERNMENT. (KINGSTON 1542).

6. RENT CONTROLS: THE MINISTER OF COMMERCE AND CONSUMER AFFAIRS ANNOUNCED A RENT FREEZE, EFFECTIVE APRIL 1. THE PURPOSE IS, OF COURSE, TO HOLD THE LINE ON THE COST OF LIVING. THE FREEZE, COUPLED WITH SUBSTANTIALLY INCREASED PROPERTY TAXES, HOWEVER, WILL ENCOURAGE LANDLORDS TO SEEK RELIEF THROUGH NEGOTIATION WITH THE TAX AUTHORITIES.

7. EDUCATION POLICY AND YOUTH SERVICE: IN HIS WINDUP SPEECH DURING THE DEBATE, THE PRIME MINISTER ANNOUNCED THAT FROM SEPTEMBER 1973 ALL EDUCATION AT THE PRIMARY AND SECONDARY SCHOOL LEVEL WOULD BE FREE AND THAT THE GOVERNMENT WOULD FROM 1974 PICK UP THE TAB FOR UNIVERSITY TUITION. HE COUPLED THIS ANNOUNCEMENT WITH ANOTHER ON THE FORMULATION OF COMPULSORY, TWO- YEAR NATIONAL SERVICE SCHEME WHICH IS INTENDED TO PROVIDE THE LOW- COST TALENT REQUIRED TO ASSURE PRIMARY AND SECONDARY EDUCATION FOR ALL BY USING SIXTEEN YEAR OLDS AND SOME UNIVERSITY GRADUATES, EQUIPPED WITH NEW TEACHING MATERIALS, IN THE PRIMARY SCHOOL SECTOR.
DE ROULET

LIMITED OFFICIAL USE
NMAFVVZCZ

ADP000
LIMITED OFFICIAL USE

PAGE 01 KINGST 01569 02 OF 02 121413 Z

43
ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 EB-11

COME-00 TRSE-00 AGR-20 SIL-01 LAB-06 CU-04 RSR-01

AID-20 SPM-01 IO-12 /160 W
----- 046726

R 112230 Z MAY 73
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 1888
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY PORT OF SPAIN
CINCLANT NORVA

LIMITED OFFICIAL USE SECTION 2 OF 2 KINGSTON 1569

CINCLANT FOR POLAD

AN ADDITIONAL OBJECTIVE IS TO HELP GET SOME OF THE 50,000 IN EACH AGE LEVEL, WHO DO NOT GO ON TO ADVANCED EDUCATION OR INTO JOBS, OFF THE STREETS UNTIL THE ECONOMY IS ABLE TO ABSORB THEM. THE PM' S ANNOUNCEMENT WAS HAILED AS A REVOLUTIONARY BREAKTHROUGH BY BOTH HIS SUPPORTERS AND A CONSIDERABLE NUMBER OF THE OPPOSITION. THE PRESS AND MOST PEOPLE TO WHOM WE HAVE SPOKEN STRONGLY SUPPORT THE PROGRAM. THERE HAVE BEEN SOME SPOIL- SPORTS, HOWEVER, WHO HAVE RAISED UGLY QUESTIONS ABOUT FINANCING. THE FINANCE MINISTER HAS RESPONDED THAT THAT WAS NO PROBLEM.

8. EMBASSY' S ASSESSMENT -- WHO' S KEEPPING SCORE? WHILE THE GOVERNMENT' S OBJECTIVES OF EXPANDING EDUCATIONAL OPPORTUNITIES AND DEVELOPING HUMAN RESOURCES ARE CLEARLY STEPS IN THE RIGHT DIRECTION, THE STYLE OF THIS GOVERNMENT IN ANNOUNCING ITS NEW DIRECTIONS AND METHODS OF FINANCING LEAVE SOMETHING TO BE DESIRED. JAMAICANS ARE NOTORIOUS TAX- EVADERS (LARGELY BECAUSE THE PERSONAL INCOME TAX RATES ARE UNREALISTICALLY HIGH) AND THERE LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 KINGST 01569 02 OF 02 121413 Z

IS SUBSTANTIAL NEED FOR INCREASING GOVERNMENT REVENUE. THE MAGNITUDE OF THE PROPOSED INCREASES AND THE LACK OF PRIOR CONSULTATION WITH INTERESTED GROUPS WITHIN THE COUNTRY, HOWEVER, HAVE CREATED CONSIDERABLE CONCERN AMONG THOSE WHO WILL BE CALLED UPON TO PAY THE BILL. AS FAR AS THE EMBASSY CAN DETERMINE, VIRTUALLY NONE OF THE REVENUE PROPOSALS WERE THE SUBJECT OF CONSULTATION WITH INTERESTED GROUPS, MANY OF WHICH ARE WELL AWARE OF AND SYMPATHIZE WITH THE GOVERNMENT' S PROBLEMS. THERE ARE STRONG INDICATIONS THAT THE GOVERNMENT HAS EVEN FAILED TO CONSULT ADEQUATELY WITH ITS CLOSEST AND MOST GENEROUS SUPPORTERS IN THE BUSINESS COMMUNITY.

9. WITH NEW RENT CONTROLS AND PROPERTY REASSESSMENTS PILED ON TOP OF THE ALREADY FULL PLATE OF GOVERNMENT ADMINISTRATION, THE PROBLEM OF TALENT WILL ARISE. JAMAICA, ALTHOUGH IT HAS A REASONABLY EFFICIENT CIVIL SERVICE, SIMPLY DOES NOT POSSESS THE NECESSARY MANPOWER RESOURCES TO CARRY OUT THESE PROGRAMS EFFICIENTLY .

10. WHILE WE WOULD AGREE WITH THE GOVERNMENT' S NEW EDUCATIONAL PROGRAM AND CONCENTRATION OF THE IMPROVEMENT OF HUMAN RESOURCES, THE EMBASSY IS DISTURBED TO NOTE THAT NO SENIOR GOVERNMENT OFFICIAL MADE ANY REFERENCE TO POPULATION PLANNING DURING THE COURSE OF THE DEBATE, ALTHOUGH THERE WERE AMPLE OPPORTUNITIES TO DO SO. WHEN ONE ADVISOR TO THE PM WAS OBLIQUELY QUERIED ABOUT THIS, HE RESPONDED THAT POPULATION GROWTH WAS NO A PROBLEM IN COUNTRIES WITH THE HIGH RATES OF LITERACY AND EMPLOYMENT WHICH THE PROGRAM INTENDED TO ACHIEVE. WHETHER HIS VIEW IS REPRESENTATIVE OF THE THINKING IN THE GOVERNMENT IS DIFFICULT TO SAY, BUT THERE ARE MORE THAN 50,000 NEW CHILDREN AT EACH AGE LEVEL EACH

YEAR.

11. IT IS TOO EARLY TO ASSESS THE OVERALL IMPACT OF THE GOVERNMENT'S PROGRAMS. BUSINESSMEN AND THE MIDDLE CLASSES ARE STILL REELING FROM THE ADDED TAX BURDEN. GOVERNMENT'S LONGER RANGE INTENTIONS ARE SOMEWHAT SUSPECT. ITS ACTIONS LEAVE OPEN THE QUESTIONS OF WHETHER IT INTENDS THROUGH TAXATION TO SOAK UP EXTENSIVE AGRICULTURAL PROPERTIES AT DEFLATED VALUES. SOME CHINESE AND OTHER MINORITIES ARE AGAIN UNEASY AND REPORTED TO BE MOVING THEIR ASSETS QUIETLY OUT OF THE COUNTRY. THE MAJORITY OF JAMAICANS, WHO ARE NOT DIRECTLY AFFECTED BY THE TAXATION MEASURES,
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 KINGST 01569 02 OF 02 121413 Z

HOWEVER, SEEM TO BE BEHIND THE PRIME MINISTER, CERTAINLY IN THE EDUCATION AND AGRICULTURAL FIELDS. THEY MIGHT NOT REMAIN SO, HOWEVER, IF PRICES FOR BASIC COMMODITIES CONTINUE THEIR UNIMPEDED RISE.
DE ROULET

LIMITED OFFICIAL USE
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KINGST01569
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730542/aaaaixel.tel
Line Count: 246
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A.KINGSTON 1332, B.KINGSTON 1291
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 15 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Jan-2002 by boyleja>; APPROVED <23-Jan-2002 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980202
Subject: THE BUDGET DEBATE - ITS AFTERMATH
TAGS: PINT, JM, PINT
To: ARA
BRIDGETOWN
CINCLANT NORVA
GEORGETOWN
PORT OF SPAIN
SECSTATE WASHDC
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005